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March 23, 2012

TO: Certifying Officers of Local Government Employers participating
in the State Health Benefits Program

FROM: New Jersey Division of Pensions and Benefits

SUBJECT: Reimbursement of Medicare Premiums to Retirees

This letter is directed to the attention of employers participating in the State Health Benefits Program (SHBP) who have adopted the provisions for the payment of post-retirement health benefit costs for their retirees under Chapter 88, P.L. 1974 and/or Chapter 48, P.L. 1999.

Employers who adopt the provisions of Chapters 88 and 48 are required to reimburse eligible retirees for the full premium cost of Medicare Part B medical coverage which is deducted from the Social Security benefit unless a lesser amount of reimbursement is negotiated. In addition, beginning with Plan Year 2012, Medicare-eligible retirees will be enrolled in the SHBP's new Medco Medicare Prescription Drug Plan and Medicare Part D prescription drug premiums will be deducted from the Social Security benefit of some higher income retirees. Local employers are required to reimburse the Medicare Part D premiums in the same manner as the Medicare Part B premiums are reimbursed.

MEDICARE PART B REIMBURSEMENT

Most Medicare eligible retirees are reimbursed for the standard monthly Part B premium (\$96.40 in 2011). However, some retirees pay a higher premium based on their modified adjusted gross income¹ or their Medicare enrollment date.

Local Government retirees who qualify for reimbursement of Medicare Part B premiums under Chapters 88 and 48, **are to be reimbursed by the former Local Government employer.** If a local employer is required to reimburse the full premium cost of Medicare Part B, reimbursement **must** include the additional premiums based on income.

Note: Part B reimbursement in excess of the standard premium is not required where the retiree pays a higher Medicare Part B premium due to a late enrollment penalty.

¹ Prior to January 1, 2007, the cost of coverage under Medicare Part B was the same for anyone who enrolled when first eligible for coverage. Since January 1, 2007, the cost of coverage under Medicare Part B has been based on an eligible individual's or couple's modified adjusted gross income.

In general, retirees who earn more than \$85,000 per year (\$170,000 if married and filing jointly) will have an additional premium deduction for Medicare Part B. The chart below outlines the Medicare Part B premiums due for 2011 and 2012 based on income reported.

2011 MEDICARE PART B (MEDICAL) PREMIUMS BASED ON INCOME			
2011 Part B Monthly Premium	Modified Adjusted Gross Income		
	If Retiree files an Individual Tax Return with Income of:	If Retiree files a Joint Tax Return with Income of:	If Retiree is Married but files a Separate Tax Return from a Spouse and the income is:
\$96.40 if the retiree/spouse received a SSA benefit in 2009; \$110.50 if retiree/spouse were new to SSA in 2010 and had SSA withhold; \$155.40 for all others	\$85,000 or less	\$170,000 or less	\$85,000 or less
\$161.50	\$85,001-\$107,000	\$170,001-\$214,000	N/A
\$230.70	\$107,001-\$160,000	\$214,001-\$320,000	N/A
\$299.90	\$160,001-\$214,000	\$320,001-\$428,000	\$85,001-\$129,000
\$369.10	Above \$214,000	Above \$428,000	Above \$129,000
Social Security uses the income reported two years ago on the retiree's federal income tax return to determine the premium (if unavailable, Social Security uses income from three years ago). For example, the income reported on the 2009 tax return was used to determine the monthly Part B premium in 2011.			

2012 MEDICARE PART B (MEDICAL) PREMIUMS BASED ON INCOME			
2012 Part B Monthly Premium	Modified Adjusted Gross Income		
	If Retiree files an Individual Tax Return with Income of:	If Retiree files a Joint Tax Return with Income of:	If Retiree is Married but files a Separate Tax Return from a Spouse and the income is:
\$99.90	\$85,000 or less	\$170,000 or less	\$85,000 or less
\$139.90	\$85,001-\$107,000	\$170,001-\$214,000	N/A
\$199.80	\$107,001-\$160,000	\$214,001-\$320,000	N/A
\$259.70	\$160,001-\$214,000	\$320,001-\$428,000	\$85,001-\$129,000
\$319.70	Above \$214,000	Above \$428,000	Above \$129,000
Social Security uses the income reported two years ago on the retiree's federal income tax return to determine the premium (if unavailable, Social Security uses income from three years ago). For example, the income reported on the 2010 tax return was used to determine the monthly Part B premium in 2012.			

MEDICARE PART D REIMBURSEMENT

Beginning January 2012, retirees and/or covered spouses/partners in the SHBP who are eligible for Medicare are enrolled in **Medicare Part D** prescription drug coverage through the **Medco Medicare Prescription Drug Plan**.

When enrolled into Medicare Part D, some retirees with higher incomes will have a monthly premium for Part D coverage deducted from their Social Security benefit.

Local Government retirees who qualify for reimbursement of Medicare Part B premiums under Chapters 88 and 48, **are to also be reimbursed beginning in 2012 for any Medicare Part D premiums.**

In general, retirees who earn more than \$85,000 per year (\$170,000 if married and filing jointly) will have a premium deduction for Medicare Part D from their Social Security benefit. The chart below outlines the 2012 Part D premiums due based on income reported.

2012 MEDICARE PART D (PRESCRIPTION DRUG) PREMIUMS BASED ON INCOME			
2012 Part D Monthly Premium	Modified Adjusted Gross Income		
	If Retiree files an Individual Tax Return with Income of:	If Retiree files a Joint Tax Return with Income of:	If Retiree is Married but files a Separate Tax Return from a Spouse and the income is:
Medco Medicare Prescription Plan (Part D Plan) Premium*	\$85,000 or less	\$170,000 or Less	\$85,000 or less
\$11.60 + Part D Plan Premium	\$85,001 - \$107,000	\$170,001 - \$214,000	N/A
\$29.90 + Part D Plan Premium	\$107,001 - \$160,000	\$214,001 - \$320,000	N/A
\$48.10 + Part D Plan Premium	\$160,001 - \$214,000	\$320,001 - \$428,000	\$85,001 - \$129,000
\$66.40 + Part D Plan Premium	Above \$214,000	Above \$428,000	Above \$129,000
*If the retiree does not currently pay a premium for SHBP coverage, the retiree's premium for the Medco Medicare Prescription Drug Plan is \$0.00.			

REIMBURSEMENT METHODS

Medicare Part B and/or Medicare Part D reimbursement of Local Government retirees is coordinated and **paid through the former Local Government employer**. The schedule a Local Government employer selects for reimbursement (quarterly, annually, etc.) is at the employer's discretion **but it cannot be less often than on an annual basis**.

As an example, the State reimburses the *standard* Medicare Part B premium in the monthly retirement check of eligible retirees. Part B reimbursement for amounts paid in excess of the standard premium is paid to eligible retirees annually, upon receipt of proof of the premiums paid.

Proof of payment required by the State includes a copy of the cost of living adjustment letter from Social Security at the end of 2010 indicating the 2011 Medicare Part B premium increase and the income-related premium, and a copy of the 2011 Social Security *Form SSA-1099* or *Form RRB-1099* (or other proof of such as copies of quarterly billing statements or cancelled checks).

Local Government employers who adopted the provisions of Chapters 88 and 48 should take any actions necessary to assure that reimbursements for plan year 2011 are made to eligible retirees for standard and/or additional Medicare Part B premiums. These employers should also make any necessary preparations for upcoming reimbursements to be paid for Medicare Part B **and** Part D premiums for the current 2012 plan year.

ADDITIONAL INFORMATION

If you have any questions about the information provided in this letter, contact the Division's Office of Client Services at (609) 292-7524, or e-mail the Division at: pensions.nj@treas.state.nj.us

For more information about Medicare Part B, Medicare Part D, or Medicare premiums based on income, visit the Social Security Administration's Web site at www.socialsecurity.gov/ or call Social Security at 1-800-772-1213.

For more information about the Medco Medicare Prescription Plan contact Medco member services at 1-866-544-9703.